

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
AUGUST 10, 1995

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, August 10, 1995. Members present were Messrs. Mark Hasten, Chairman; W. Paul Wolf, Vice Chairman; Tony Zaleski, R. Douglas Grant, Daniel Leitch and Norman Lowery. Also present from the Department were Charles W. Phillips, Director; Eric D. Roberts, Bank Analyst; Kirk J. Schreiber, Bank Analyst; James M. Cooper, Deputy Director, Depository Institutions; Charles T. Stumpf, Deputy Director, Administrative Division; Mark K. Powell, Supervisor, Credit Unions; Mark K. Tarpey, Division Supervisor, Consumer Credit Division and Ronda K. Bailey, Administrative Secretary. Board Member Dee Godme was absent.

I. PUBLIC SESSION

- A.) Attendance
- B.) Date of next meeting: September 21, 1995 at 9:00 a.m., EST.
- C.) A motion was made for approval of the minutes of the meeting held July 13, 1995, by Mr. Zaleski and was seconded by Mr. Lowery. The minutes were unanimously approved.

DIVISION OF BANK AND TRUST COMPANIES

- A) **Franklin Loan and Savings Association, Boonville, Warrick County, Indiana**
Kirk J. Schreiber, Senior Bank Analyst, presented the Articles of Dissolution submitted by the liquidating agent for Franklin Loan and Savings Association ("Franklin"). Mr. Schreiber indicated that the filing of the Articles of Dissolution represents the conclusion of the liquidation proceeding of Franklin. The question before the Members is whether the Department approves of the proposed Articles of Dissolution. If approved by the Department, the liquidating agent would file the Articles of Dissolution with the Warrick Circuit Court to obtain an order for the conclusion of the proceeding. Franklin would then file the Articles of Dissolution with the Secretary of State. The Articles of Dissolution were found to fully conform to IC 28-1-9-13. Mr. Wolf made a motion for approval which was seconded by Mr. Leitch. **The motion to approve the articles of Dissolution was unanimously approved.**

B) **Pike County Bank, Petersburg, Pike County, Indiana**

Pike County Bank ("Pike") and The Spurgeon State Bank ("Spurgeon"), Spurgeon, Pike County, Indiana propose to effect a merger pursuant to IC 28-1-7 with Pike surviving the merger. Following consummation of the transaction, the existing main office and one (1) branch of Spurgeon will be operated as branch offices of the surviving bank. The name of the resulting institution will be "Pike County Bank", Petersburg, Indiana and the bank will operate under the Articles of Incorporation and By-Laws of Pike. Pike and Spurgeon are wholly-owned subsidiaries of National City Bancshares, Inc., Evansville, Indiana ("Bancshares"). Resolutions authorizing the proposed transaction were adopted by the Board of Directors of Pike and Spurgeon on May 10, 1995. The proposed structure of the transaction is outlined in the Merger Agreement. All issued and outstanding shares of Spurgeon's common stock will be cancelled at the effective time of the merger.

All applicable statutory requirements pertaining to investment in land and building have been met. As of 3/31/95 on a proforma basis, investment in land, building, and leasehold improvements represent 11.15% of sound capital. Investment in total fixed assets represent 9.52% of total capital as of 3/31/95.

The resulting bank will have total assets of \$48 million, total deposits of \$41 million, and total equity capital of \$4.9 million. It will have an adequate Tier I leverage capital ratio of 10.40%.

The three-year average Return On Assets (ROA) for Pike and Spurgeon are 1.27% and 1.37%, respectively. As of March 31, 1995, the ROAs for Pike and Spurgeon are 1.88% and 1.55%, respectively. The merger will be accounted for as a pooling-of interests transaction.

Pike received "Satisfactory" CRA and Compliance ratings and Spurgeon received "Satisfactory" CRA and Compliance ratings, during examinations dated January 4, 1991 and October 31, 1994, respectively.

Pike received a "Satisfactory" CAMEL rating resulting from an FDIC examination dated June 20, 1994. Spurgeon also received a "Satisfactory" CAMEL rating resulting from an FDIC examination dated May 16, 1994. National City Bancshares, Inc. received a "Satisfactory" BOPEC rating resulting from a Federal Reserve Bank of St. Louis bank holding company inspection dated March 28, 1994.

A motion for approval of the application was made by Mr. Grant and seconded by Mr. Leitch. **The application was unanimously approved.**

C) **Griffith Federal Savings and Loan Association, Griffith, Lake County, Indiana**

Griffith Federal Savings and Loan Association ("Griffith") has applied to the Members of the Department of Financial Institutions for approval of a Plan of Mutual Bank Conversion pursuant to the provisions of I.C. 28-1-21.7-10. Griffith is a federal mutual savings association which is chartered and primarily regulated by the Office of Thrift Supervision (OTS). As of March 31, 1995, Griffith had total assets of \$39.9 million and total equity capital of \$4.2 million. The board of directors of Griffith adopted a resolution on May 11,

1995, which authorized the officers of the federal savings association to obtain all of the necessary regulatory approvals to consummate the Plan of Mutual Bank Conversion of Griffith Federal Savings and Loan Association to Griffith Savings Bank, an Indiana state chartered mutual savings bank.

Griffith intends to convert to a mutual savings bank governed by the provisions of I.C. 28-6.1.

As a savings bank, Griffith will be regulated by the Department and the Federal Deposit Insurance Corporation (FDIC). The OTS will discontinue its regulatory authority over Griffith upon conversion. In order to convert to a savings bank, the Department and OTS must both approve the plan of mutual bank conversion. Upon the conversion, the deposits of Griffith will continue to be insured by the Savings Association Insurance Fund (SAIF).

A limited scope examination of Griffith, dated July 17, 1995, was conducted by the staff of the Department. Senior Examiner, Edward R. Carr served as the Examiner in Charge.

Loan policies are conservative. The loan portfolio consists entirely of fixed rate REMs on single-family residences and loans secured by the institution's deposits. The institution doesn't make commercial, consumer or construction loans. There are no non-accrual loans and management stated that the loan portfolio contains no marginal credits.

The ratio of net income to average total assets for the year 1994 is .77% and compares with the peer group ratio of .80%.

Capital, as measured by the tier 1 leverage capital ratio of 11.04%, is considered satisfactory.

The association's liquidity position is currently adequate. The association uses the OTS Net Portfolio Value (NPV) model to assess interest rate risk. Rising interest rates will negatively impact and declining rates will positively impact the NPV. This is typical for an institution with the majority of its assets invested in mortgages.

The bank's securities portfolio is comprised entirely of U.S. Agency bonds.

The 12-31-94 CPA audit was performed by the CPA firm of George S. Olive & Co. While no material weaknesses were mentioned, minor weaknesses were noted in the system of internal controls. The majority involve segregation of personnel duties and dual control procedures.

Overall, Griffith was considered by the examiners to be fundamentally sound with an adequate capital position, and minimal asset quality problems. The deficiencies noted in the Report of Examination are considered to be correctable in the normal course of business and will be dealt with through the examination supervisory process. As a result of the examination, Griffith was assigned a "Satisfactory" CAMEL rating.

Griffith was examined by the OTS on May 31, 1994 and received a "Satisfactory" MACRO rating. In addition, compliance and CRA examinations were conducted by the OTS on October 31, 1994. The bank received "Satisfactory" ratings for both compliance and CRA.

Section 593 of the Internal Revenue Code, indicates that a mutual savings bank will be allowed to deduct, for tax purposes, additions to the reserve for bad debts the same as any domestic building and loan association. Therefore, upon conversion Griffith will not be required to recapture its bad debt reserves provided that it continues to meet the qualifications contained in the Internal Revenue Code. In order to meet the qualifications, the converted mutual savings bank must maintain at least 60% of its total assets in qualifying assets (primarily cash, U.S. Government Securities, and mortgage loans). The converted mutual savings bank will also be required to meet a business operations test. This test requires that 75% of taxable gross income must come from qualifying sources (primarily from the qualifying assets previously described). Should the converted mutual savings bank fail to meet the requirements contained in the Internal Revenue Code, any additions to the reserve for bad debts would be subject to taxation.

The recent DFI Report of Examination of the applicant and the investigation by Department staff has concluded that the resulting mutual savings bank will be operated in a safe, sound, and prudent manner.

It was also determined by the staff that the proposed mutual bank conversion will not result in a mutual bank that has inadequate capital, unsatisfactory management, or poor earnings prospects. The management was found to be qualified by character and financially responsible to operate in a legal and proper manner the mutual bank proposed to be formed as a result of the mutual bank conversion. In addition, it was found that the interests of the depositors, creditors, and the public generally will not be jeopardized by the proposed mutual bank conversion.

Based on these findings, it is recommended that the Plan of Mutual Bank Conversion of Griffith Federal Savings and Loan Association to Griffith Savings Bank, an Indiana state chartered mutual savings bank be approved.

A motion for approval of the application was made by Mr. Grant and seconded by Mr. Zaleski. **The application was unanimously approved.**

DIRECTOR'S COMMENTS AND REQUESTS

A) **Pike County Bank, Petersburg, Pike County, Indiana**

The bank notified the Department on May 19, 1995, of their intent to acquire Unifed, Inc. The proposed subsidiary will continue to operate under the name Unifed, Inc. and will be located at 619 Main Street, Vincennes, Knox County, Indiana. The proposed subsidiary will offer property and casualty, health, cancer and long-term health insurance. In addition, it will offer mutual fund, annuity and discount brokerage services through a registered broker-dealer. This item was for informational purposes only.

B) The regular Members Meeting scheduled for September 14, 1995, has been changed to

September 21, 1995, due to the Examiners Annual Seminar being held on September 13 thru 15 in Columbus.

- C) The Director advised the Members of actions pursuant to delegated authority. Mr. Phillips asked for any questions or clarifications of the actions, which are as follows:

DIVISION OF BANK AND TRUST COMPANIES

1.) **LAKE CITY BANK, WARSAW, KOSCIUSKO COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a full service branch banking office to be known as "**Rochester Office of Lake City Bank.**" The proposed branch will be located at **507 East 9th Street, Rochester, Fulton County, Indiana.** This will be the institution's twenty-eight branch. **The request was approved by the Director under Authority on July 17, 1995.**

2.) **CITIZENS BANK OF CENTRAL INDIANA, GREENWOOD, JOHNSON COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a full service branch banking office to be known as "**Nineveh Office.**" The proposed branch will be located at **Main Street, Road 100 East, Nineveh, Johnson County, Indiana.** This will be the institution's thirteenth branch. **The request was approved by the Director under Delegated Authority on July 17, 1995.**

3.) **CITIZENS BANK OF WESTERN INDIANA, TERRE HAUTE, VIGO COUNTY, INDIANA**

The bank has entered into a Purchase and Assumption Agreement with Household Bank, f.s.b., Prospect Heights, Illinois, whereby the bank will purchase approximately \$500M in loans and assume approximately \$80MM in deposits through its acquisition of four branches.

One branch to be acquired, located at 498 Ohio Street in Terre Haute, will be closed contemporaneously with the transaction. The bank will assume approximately \$24MM in deposits from that branch and intends to consolidate it with one of its already existing branches located at 350 Wabash Avenue in Terre Haute.

Application has been made to the Department for approval to establish three full service branch banking offices. One, to be known as "**Terre Haute Branch**", will be located at **1120 East Davis Drive, Suite 825, Terre Haute, Vigo County, Indiana.** As a result of the transaction, the bank's total number of branches will be twelve. **The request was approved by the Director under Delegated Authority on July 17, 1995.**

4.) **CITIZENS BANK OF WESTERN INDIANA, TERRE HAUTE, VIGO COUNTY,**

INDIANA

The second branch will be known as "**Brazil Branch**" and will be located at **637 East National Avenue, Brazil, Clay County, Indiana**. The request was approved by the Director under Delegated Authority on July 17, 1995.

5.) **CITIZENS BANK OF WESTERN INDIANA, TERRE HAUTE, VIGO COUNTY, INDIANA**

The third branch will be known as "**Sullivan Branch**" and will be located at **201 West Washington Street, Sullivan, Sullivan County, Indiana**. The request was approved by the Director under Delegated Authority on July 17, 1995.

6.) **SALIN BANK AND TRUST COMPANY, LOGANSPOUT, CASS COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a full service branch banking office to be known as "**Salin Bank and Trust Company**." The proposed branch will be located at **8455 Keystone Crossing Drive, Indianapolis, Marion County, Indiana**. This will be the institution's fourteenth branch. The request was approved by the Director under Delegated Authority on July 28, 1995.

7.) **COMMUNITY STATE BANK, AVILLA, NOBLE COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a full service branch banking office to be known as "**Community State Bank, Albion Office**." The proposed branch will be located at **115 East Main Street, Albion, Noble County, Indiana**. This will be the institution's third branch. The request was approved by the Director under Delegated Authority on July 28, 1995.

DIVISION OF CONSUMER CREDIT

- 1.) McKenzie Check Advance of Indiana, LLC d/b/a National Check Advance is requesting a consumer loan license. They will have branch locations in five cities. The applicant proposes to make "pay-day" or "check-advance" type loans. These will be short term, small dollar amounts of \$100 to \$200 with maturities of one to two weeks on average. They are currently operating a similar business in Cleveland, TN. All references are in order. It is recommended that the license be approved. **The request was approved by the Director under Delegated Authority on July 18, 1995.**
- 2.) First Marion Service Corporation is requesting a consumer loan license. They are a wholly owned subsidiary of First Federal Savings Bank of Marion. The Service Corporation plans to make second mortgage loans. It is recommended that the license be issued. **The request was approved by the Director on July 18, 1995.**
- 3.) OnBank & Trust Company of Syracuse, New York is requesting a consumer loan license. They will be purchasing retail installment sales contracts from mobile home dealers. As such,

a consumer loan license is not required. However, they are obtaining the license for possible future direct lending. It is recommended that the license be approved. **The request was approved by the Director on July 18, 1995.**

- 4.) Midwest Savings Bank of DeGraff, Ohio is requesting a consumer loan license. They will have a location in Greenwood. They will be making second mortgage loans. It is recommended that the license be issued. **The request was approved by the Director on July 18, 1995.**
- 5.) Mercantile Mortgage Company is requesting a consumer loan license. They will have a location in Indianapolis. They currently operate in six states. They will be making second mortgage loans. All references are in order. It is recommended that the license be approved. **The request was approved by the Director on July 18, 1995.**
- 6.) TCF Consumer Financial Services d/b/a TCF Financial Services is requesting a consumer loan license to make second mortgage loans. They will have a location in Indianapolis. They currently operate in nine states. It is recommended that the license be issued. **The request was approved by the Director on July 18, 1995.**
- 7.) North American Mortgage Company is requesting a consumer loan license to make second mortgage loans. They will not have an Indiana location, but will use local title companies for closing. They are currently operating as a mortgage banker in all fifty states. It is recommended that the license be approved. **The request was approved by the Director on July 18, 1995.**
- 8.) Long Beach Mortgage Company d/b/a Ameriquest Mortgage Corporation is requesting a consumer loan license to make second mortgage loans. They will not have an Indiana location, but will use local title companies for closing. They currently operate in forty-three states. It is recommended that the license be issued. **The request was approved by the Director on July 18, 1995.**
- 9.) The Check Cashing Store is requesting a check cashing license. They are based in Indianapolis and will have one branch location. All references are in order. It is recommended that the license be approved. **The request was approved by the Director on July 18, 1995.**
- 10.) Easy Cash Corydon, Inc. is requesting a pawnbroker license for Corydon. The principals of the company now operate two pawnshops in Louisville, Kentucky. All references are in order. It is recommended that the license be issued. **The request was approved by the Director under Delegated Authority on August 3, 1995.**
- 11.) Dunes Rexall Drugs, Inc. of Gary is requesting a check cashing license. They will be cashing checks other than incidental to the retail sale and as such will need to be licensed. All references are in order. It is recommended that the license be approved. **The request was**

approved by the Director under Delegated Authority on August 3, 1995.

- 12.) The First Mortgage Corporation of Flossmoor, Illinois is requesting a consumer loan license to make second mortgage loans at a branch location in Leesburg, Indiana. All references are in order. It is recommended that the license be issued. **The request was approved by the Director under Delegated Authority on August 3, 1995.**
- 13.) Hoosier Check Cashing is requesting a consumer loan license. They are currently licensed as a check casher in Indianapolis with two branch locations. They are requesting the consumer loan license to make small, short-term, pay-day type loans. They are aware of the requirements to make such loans in terms of maximum rates, disclosure, etc. It is recommended that the license be approved. **The request was approved by the Director under Delegated Authority on August 3, 1995.**
- 14.) Pak-N-Ship, Inc. d/b/a Wabash Valley Funding Group is requesting a consumer loan license. They will be located in Terre Haute. The principals are currently licensed as a check casher with our Department. They want the consumer loan license to make short- term, small, pay-day, type loans. They are aware of the requirements to make such loans in terms of disclosure, rates, etc. It is recommended that the license be issued. **The request was approved by the Director under Delegated Authority on August 3, 1995.**
- 15.) Star Banc Finance, Inc. of Cincinnati, Ohio is requesting a consumer loan license. They are a subsidiary of Star Bank, N.A. They plan to make second mortgage loans using local title companies for closing. It is recommended that the license be approved. **The request was approved by the Director under Delegated Authority on August 3, 1995.**
- 16.) FinCon, Inc. of Spring Lake Heights, New Jersey, acting as administrator for a Guarantee Auto Protection (GAP) program is requesting approval on behalf of Don Ayres Auto Mall of Fort Wayne. The program is a standard GAP proposal in terms of coverage in the event of total loss.

The program will not include the customer's deductible. There will be a thirty (30) day "free-look" period. If the customer's account is prepaid in full, they can request a refund based on a pro-rata calculation. The maximum charge to the customer is \$395. The administrator will purchase a contractual liability policy through Commerce and Industry Insurance Company. This company is an approved carrier for such coverage in Indiana.

FinCon has agreed to notify the 16 customers who had agreements written prior to approval. These customers will be given 30 days to request a full refund or accept the new agreement in lieu of any prior agreement. None of the 16 customers were charged more than the approved amount and none have paid off.

As new dealers are added to FinCon's GAP program, they will submit a letter for each dealer confirming the dealer's acceptance of the program as previously submitted. It is recommended that the program be approved as submitted and as provided for under IC 24-4.5-2-202(1)(c). **The request was approved by the Director under Delegated Authority on August 3, 1995.**

DIVISION OF CREDIT UNIONS

1.) **TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA**

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

T-Squared Associates - Mishawaka - 1 member
BJ Rental, Inc. d/b/a Colortyme - South Bend - 104 members
Lasting Impressions Child Care Center - Elkhart - 10 members
Valley Employee Benefits, Inc. - Mishawaka - 9 members
Agdia, Inc. - Elkhart - 16 members
Powerhouse Gym - Valparaiso - 29 members
Better Hearing Aids, Inc. - Indianapolis - 8 members
Hartwood Corporation - Osceola - 2 members
Cigna Corp. employees at the following locations: - 56 members
10 West Market Street, Indianapolis 46204
9200 Keystone Crossing, Indianapolis 46240
8688 Broadway, Merrillville 46410

The request was approved by the Director under Delegated Authority on July 5, 1995.

2.) **DEKALB FINANCIAL CREDIT UNION, AUBURN, DEKALB COUNTY, INDIANA**

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

RAMCO Manufacturing Co. - Auburn - 93 members

The request was approved by the Director under Delegated Authority on July 26, 1995.

3.) **JET CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA**

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

Palmer Dodge West - Indianapolis - 135 members
McJ Chemicals, Inc. - Indianapolis - 5 members
Dave Mason Auto Group - Indianapolis - 200 members
Pedigo Chevrolet Geo - Indianapolis - (Name change Dave McIntire Corp.)
Profits Plus - Lafayette - 2 members
Bob Rohrman Auto Group - Lafayette - 350 members
Capitol Transit, Inc. - Indianapolis - 5 members
First Class Limousines Services, Inc. - Indianapolis - 9 members
JVL Finance Company, Inc. - Indianapolis - 3 members
Kinnett & Son Construction, Inc. - Indianapolis - 12 members

The request was approved by the Director under Delegated Authority on July 27, 1995.

4.) **PERFECT CIRCLE CREDIT UNION, HAGERSTOWN, WAYNE COUNTY, INDIANA**

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

CIGNA Corporation (Richmond Office) - Richmond - 196 members

The request was approved by the Director under Delegated Authority on July 27, 1995.

5.) **TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA**

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

Community Action of Greater Indianapolis, Inc. - Indianapolis - 289 members
Your Quest Ends Here Antique Mall, Inc. - Granger - 2 members
Cabot Safety Corporation - Plymouth - 100 members

The request was approved by the Director under Delegated Authority on July 31, 1995.

There being no further business to come before the Members, the meeting was adjourned.

APPROVED:

ATTEST:

Mark Hasten, Vice Chairman

James M. Cooper, Acting Secretary

